

Multi-Year Revenue and Expenditure Forecast Scenarios

REVENUE AND EXPENDITURE FORECAST SCENARIOS

Three Scenarios using Low Growth, Mid-Growth & High Growth Revenue Assumptions

The following three tables present revenue and expenditure forecasts for all funds in the City's operating budget, as requested by the Budget and Fiscal Affairs Advisory Committee and as required under the City Council's debt-related financial policies. These forecast scenarios are based on the sets of assumptions detailed below.

It is important to note that in years where the forecast scenario results in a negative variance between projected revenues and projected expenditures, the variance would have to be addressed, and each year's budget balanced, through a reduction in the planned level of expenditures, an increase in revenues (tax or fee increases or new revenue sources) or a combination of these methods. As a result, the cumulative shortfall in the out years of these forecasts will actually never occur. The same would hold true for positive out-year variances where tax rate reductions or expenditure increases would utilize positive variances.

The expenditure assumptions included in these scenarios remain constant in each of the scenarios, while the revenue assumptions vary. This approach illustrates the sensitivity of various surplus or deficit forecast scenarios depending on varying rates of revenue growth while maintaining current services and policies. In all scenarios, before individual category assumptions have been made, staff assumed a consumer price index (CPI) growth of 2.5 percent per year. It should be noted that the expenditure assumptions included in these scenarios are not meant to be an indication of any commitment to a particular level of planned expenditure increases in future years; rather, these assumptions are meant to illustrate the possible funding choices the City must make in future years in each revenue growth scenario.

All of the scenarios use a "straight line" projection approach and do not attempt to predict inevitable economic cycles which will have material impacts in any single year on the projected surpluses and shortfalls.

The Mid-Range Forecast Scenario represents the most probable outcome of the three scenarios with regard to overall revenue and expenditure growth rates. However, with the many economic and policy variables that would influence revenues and expenditures in the FY 2008 to FY 2012 time period, the bottom line excess or shortfall amounts need to be considered as "order of magnitude" results that will change as the assumed economic and policy variables differ from these long-range projections.

The funding gap or surplus forecasts range from a negative \$72.3 million (low growth) to a positive \$71.4 million (high growth) in FY 2012. This represents an 18% band in comparison to the total expenditure budget estimate in FY 2012. The mid-range forecast scenario shows a small shortfall developing in the out-years. As a result, the conclusion that one can reach is that the City's budget is generally in structural balance and its fiscal policies are sustainable and will remain sound. However, careful financial management and sound policy decision making will be critical to keeping the City's finances sound over the long term.

Multi-Year Revenue and Expenditures Forecast Scenarios

ALL SCENARIOS - EXPENDITURES

EXPENDITURE ASSUMPTIONS: (Assumptions remain constant for each revenue scenario)

- (1) FY 2007 expenditures reflect the Proposed FY 2007 budget. All expenditure assumptions build from this base.
- (2) Cash capital expenditures: The projected expenditures from FY 2008-FY 2012 for cash capital are consistent with the Capital Improvement Program Funding Summary presented in the FY 2007-FY 2012 Capital Improvement Program document, which reflects cash capital appropriations to meet planned pay-as-you-go capital funding levels. It should be noted that the CIP needs will likely be greater in the out-years of the CIP in comparison to the current six-year CIP plan.
- (3) Debt service expenditures: The projected expenditures from FY 2008-FY 2012 for debt service are consistent with the Proposed Capital Improvement Program, which reflects the issuance of \$132.8 million in additional new General Obligation debt: \$34.3 million in FY 2007, \$53.9 million in FY 2008, \$21.6 million in FY 2009, \$20.0 million in FY 2010, and \$3.0 million in FY 2011. All new debt issuance assumes 20 year issues, with principal payments structured on a phased-in basis, with a true interest cost of approximately 4.5 percent.

- (4) Personnel expenditures --City and Schools:

In FY 2008-FY 2012, City personnel expenditures increase 4.6 percent annually.

School personnel expenditures: Schools personnel expenditures increase at 5.0 percent annually.

- (5) Non-Personnel expenditures --City and Schools:

(a) City Non-personnel expenditures

In FY 2008-FY 2012, a 4.4 percent increase is assumed for non-personnel expenditures in all categories except cash capital, debt service, and transit subsidies, as noted below.

- Transit Subsidies in FY 2008 through FY 2012: Transit subsidies, included as part of City Non-Personnel expenditures on the following tables, are projected to increase by 13 percent each year and increased capital and operating needs anticipated at WMATA and DASH due to ridership growth and aging infrastructures.

(b) Schools Non-personnel expenditures

In each year from FY 2008-FY 2012, Schools non-personnel expenditures are projected to increase at 1.2 percent.

Multi-Year Revenue and Expenditures Forecast Scenarios

ALL SCENARIOS - REVENUE

Three different scenarios of revenue growth for the period of FY 2008 through FY 2012 have been developed based on varying assumptions about future rates of growth for each of the revenue categories listed in the table below. Each scenario is based on FY 2007 proposed tax and fee rates. All projected increases are generated by economic growth or the impact of inflation on goods and services that are taxed. The rate of growth assumed in each category for each scenario is shown below.

Revenue Category	Low Growth	Mid-Range Growth	High Growth
Real Estate Property	4%	6%	9%
Personal Property	1%	3%	5%
Penalties & Interest	0%	1%	2%
Local Sales	3%	4%	6%
Utility	1%	3%	5%
Business License	5%	7%	9%
Motor Vehicle License	1%	2%	3%
Recordation	4%	6%	9%
Tobacco	0%	0%	0%
Transient Lodging	3%	5%	10%
Restaurant Food	3%	5%	8%
Other Miscellaneous	2%	3%	4%
Intergovernmental	0%	3%	5%
Other Non-Tax Revenue	0%	1%	2%
Other Special Revenue	3%	3%	3%
Equipment Replacement Fund	3%	3%	3%

Low Growth Forecast Scenario

	FY 2007 Proposed	FY 2008 Forecast	FY 2009 Forecast	FY 2010 Forecast	FY 2011 Forecast	FY 2012 Forecast
	(1)	(2)	(3)	(4)	(5)	(6)
1 General Fund						
2 General property tax revenue						
3 Real property tax	276,345,100	287,398,800	298,894,800	310,850,500	323,284,600	336,216,000
4 Personal property tax	29,900,000	30,199,000	30,501,000	30,806,000	31,114,100	31,425,200
5 Penalties and interest	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
6						
7 Total general property tax revenue	307,745,100	319,097,800	330,895,800	343,156,500	355,898,700	369,141,200
8						
9 Other Local Tax Revenue	110,654,600	114,098,200	117,673,100	121,385,000	125,239,700	129,243,100
10						
11 Other Non-Tax Revenue	81,319,800	81,319,800	81,319,800	81,319,800	81,319,800	81,319,800
12						
13 Total General Fund Revenues	499,719,500	514,515,800	529,888,700	545,861,300	562,458,200	579,704,100
14 Other Financing Sources (Uses)						
15 Appropriation from Fund Balance						
16 for Operating Budget	3,800,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
17						
18						
19 Total General Fund revenues and other	503,519,500	518,515,800	533,888,700	549,861,300	566,458,200	583,704,100
20 sources						
21 Special Revenues & Other Funds						
22 Appropriation from Schools Fund Balance	4,305,300	0	0	0	0	0
23 Other Special Revenue (donations/charges)	94,265,000	97,092,900	100,005,700	103,005,900	106,096,100	109,279,000
24 Sewer Enterprise Fund	7,843,900	8,079,200	8,321,600	8,571,200	8,828,400	9,093,200
25 Equipment Replacement Fund	5,166,600	5,321,600	5,481,200	5,645,700	5,815,000	5,989,500
26						
27 Total Special Revenue & Other Funds	111,580,800	110,493,700	113,808,500	117,222,800	120,739,500	124,361,700
28						
29 Total Revenues, All Funds	615,100,300	629,009,500	647,697,200	667,084,100	687,197,700	708,065,800
30						
31 EXPENDITURES & OTHER USES						
32						
33 City Personnel	227,478,300	237,942,300	248,887,700	260,336,500	272,312,000	284,838,300
34 City Non-personnel, including Transit	142,491,100	149,978,600	157,953,900	166,459,100	175,540,700	185,250,300
35 Debt service	29,715,700	32,360,000	35,876,300	36,137,900	36,154,200	35,349,000
36 Cash capital	17,519,100	19,925,800	23,077,600	26,739,900	29,701,900	28,669,400
37 CIP Funding To Be Determined	0	0	0	0	0	0
38						
39 Schools Personnel	168,367,300	176,785,700	185,625,000	194,906,200	204,651,500	214,884,100
40 Schools Non-personnel	29,528,800	29,883,100	30,241,700	30,604,600	30,971,900	31,343,500
41						
42 Total Expenditures	615,100,300	646,875,500	681,662,200	715,184,200	749,332,200	780,334,600
43						
44 Excess/(Shortfall) of Revenues and Other	0	-17,866,000	-33,965,000	-48,100,100	-62,134,500	-72,268,800
45 Sources over Expenditures and Other Uses						
46 Note: In reality, the projected deficits would not occur.						
47 Actions would be taken to reduce expenditures or increase revenues.						
48						
49 DEBT SERVICE INDICATORS						
50						
51 Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
52 Debt per capita as a % of per capita income	3.1%	3.3%	3.1%	2.9%	2.6%	2.3%
53 Debt Service as % of General Expenditures	4.8%	5.0%	5.3%	5.1%	4.8%	4.5%
54 Unreserved Fund Balance as a % of General Fund Revenue	12.5%	Not projected	Not projected	Not projected	Not projected	Not projected

Mid-Range Growth Forecast Scenario

Proposed
City of Alexandria, Virginia FY 2007 Budget 5-92

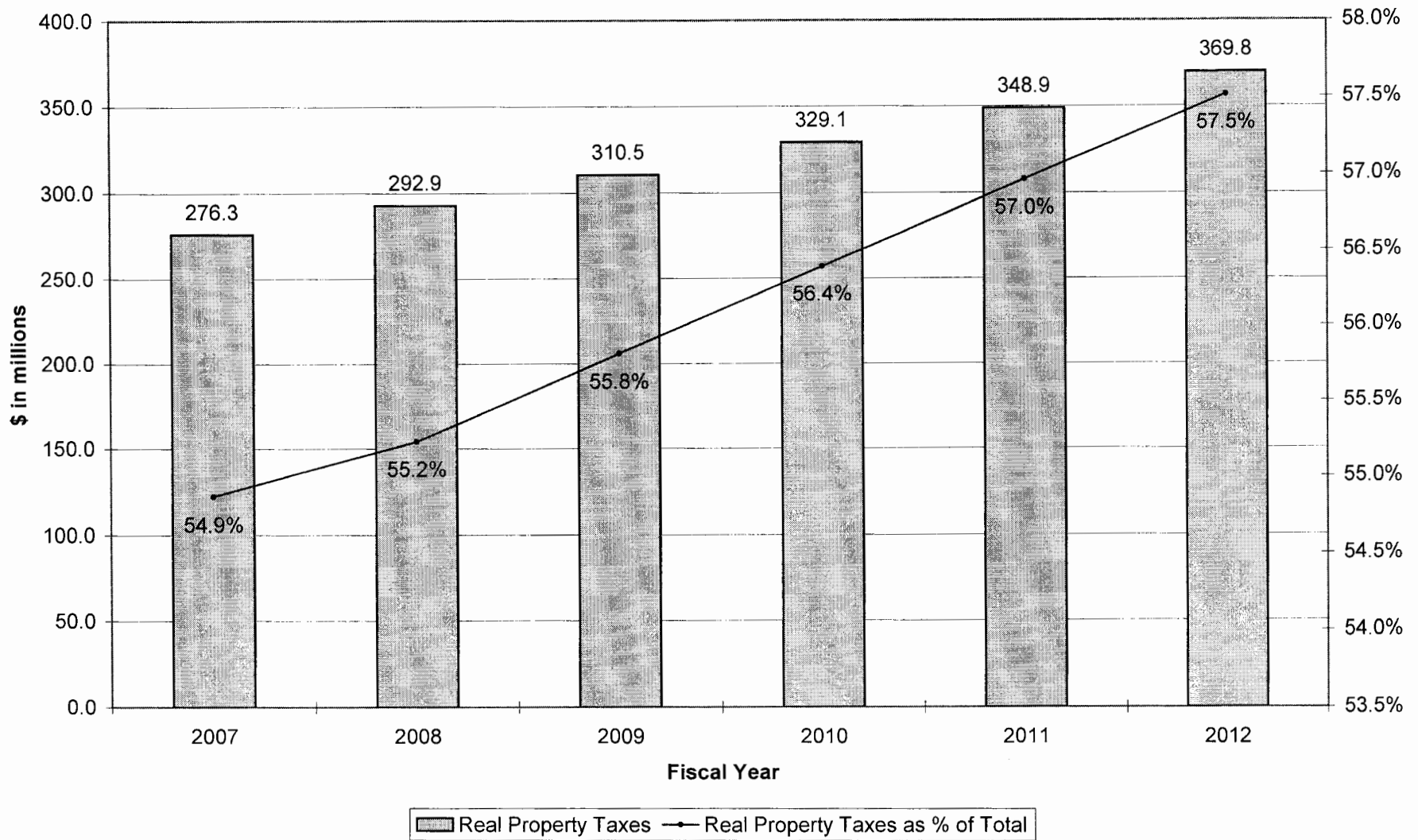
	FY 2007 Proposed (1)	FY 2008 Forecast (2)	FY 2009 Forecast (3)	FY 2010 Forecast (4)	FY 2011 Forecast (5)	FY 2012 Forecast (6)
1 General Fund						
2 General property tax revenue						
3 Real property tax	276,345,100	292,925,700	310,501,200	329,131,300	348,879,200	369,812,000
4 Personal property tax	29,900,000	30,797,000	31,720,900	32,672,500	33,652,700	34,662,300
5 Penalties and interest	1,500,000	1,515,000	1,530,200	1,545,500	1,560,900	1,576,500
6						
7 Total general property tax revenue	307,745,100	325,237,700	343,752,300	363,349,300	384,092,800	406,050,800
8						
9 Other Local Tax Revenue	110,654,600	115,906,600	121,441,800	127,276,900	133,429,300	139,917,700
10						
11 Other Non-Tax Revenue	81,319,800	83,165,300	85,060,200	87,006,000	89,004,100	91,055,900
12						
13 Total General Fund Revenues	499,719,500	524,309,600	550,254,300	577,632,200	606,526,200	637,024,400
14 Other Financing Sources (Uses)						
15 Appropriation from Fund Balance						
16 for Operating Budget	3,800,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
17						
18						
19 Total General Fund revenues and other	503,519,500	530,309,600	556,254,300	583,632,200	612,526,200	643,024,400
20 sources						
21 Special Revenues & Other Funds						
22 Appropriation from Schools Fund Balance	4,305,300	0	0	0	0	0
23 Other Special Revenue (donations/charges)	94,265,000	97,092,900	100,005,700	103,005,900	106,096,100	109,279,000
24 Sewer Enterprise Fund	7,843,900	8,079,200	8,321,600	8,571,200	8,828,400	9,093,200
25 Equipment Replacement Fund	5,166,600	5,321,600	5,481,200	5,645,700	5,815,000	5,989,500
26						
27 Total Special Revenue & Other Funds	111,580,800	110,493,700	113,808,500	117,222,800	120,739,500	124,361,700
28						
29 Total Revenues, All Funds	615,100,300	640,803,300	670,062,800	700,855,000	733,265,700	767,386,100
30						
31 EXPENDITURES & OTHER USES						
32						
33 City Personnel	227,478,300	237,942,300	248,887,700	260,336,500	272,312,000	284,838,300
34 City Non-personnel, including Transit	142,491,100	149,978,600	157,953,900	166,459,100	175,540,700	185,250,300
35 Debt service	29,715,700	32,360,000	35,876,300	36,137,900	36,154,200	35,349,000
36 Cash capital	17,519,100	19,925,800	23,077,600	26,739,900	29,701,900	28,669,400
37 CIP Funding To Be Determined	0	0	0	0	0	0
38						
39 Schools Personnel	168,367,300	176,785,700	185,625,000	194,906,200	204,651,500	214,884,100
40 Schools Non-personnel	29,528,800	29,883,100	30,241,700	30,604,600	30,971,900	31,343,500
41						
42 Total Expenditures	615,100,300	646,875,500	681,662,200	715,184,200	749,332,200	780,334,600
43						
44 Excess/(Shortfall) of Revenues and Other	0	-6,072,200	-11,599,400	-14,329,200	-16,066,500	-12,948,500
45 Sources over Expenditures and Other Uses						
46 Note: In reality, the projected deficits would not occur.						
47 Actions would be taken to reduce expenditures or increase revenues.						
48						
49 DEBT SERVICE INDICATORS						
50						
51 Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
52 Debt per capita as a % of per capita income	3.1%	3.3%	3.1%	2.9%	2.6%	2.3%
53 Debt Service as % of General Fund Estimated Expenditures	4.8%	5.0%	5.3%	5.1%	4.8%	4.5%
54 Unreserved Fund Balance as a % of General Fund Revenue	12.5%	Not projected	Not projected	Not projected	Not projected	Not projected

Summary Tables
MER/CAM

High Growth Forecast Scenario

	FY 2007 Proposed (1)	FY 2008 Forecast (2)	FY 2009 Forecast (3)	FY 2010 Forecast (4)	FY 2011 Forecast (5)	FY 2012 Forecast (6)
1 General Fund						
2 General property tax revenue						
3 Real property tax	276,345,100	301,216,100	328,325,500	357,874,800	390,083,500	425,191,000
4 Personal property tax	29,900,000	31,395,000	32,964,800	34,613,000	36,343,600	38,160,800
5 Penalties and interest	1,500,000	1,530,000	1,560,600	1,591,800	1,623,600	1,656,100
6						
7 Total general property tax revenue	307,745,100	334,141,100	362,850,900	394,079,600	428,050,700	465,007,900
8						
9 Other Local Tax Revenue	110,654,600	118,374,300	126,688,800	135,646,400	145,299,700	155,705,800
10						
11 Other Non-Tax Revenue	81,319,800	84,494,700	87,810,400	91,273,800	94,891,700	98,671,700
12						
13 Total General Fund Revenues	499,719,500	537,010,100	577,350,100	620,999,800	668,242,100	719,385,400
14 Other Financing Sources (Uses)						
15 Appropriation from Fund Balance						
16 for Operating Budget	3,800,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
17						
18						
19 Total General Fund revenues and other	503,519,500	545,010,100	585,350,100	628,999,800	676,242,100	727,385,400
20 sources						
21 Special Revenues & Other Funds						
22 Appropriation from Schools Fund Balance	4,305,300	0	0	0	0	0
23 Other Special Revenue (donations/charges)	94,265,000	97,092,900	100,005,700	103,005,900	106,096,100	109,279,000
24 Sewer Enterprise Fund	7,843,900	8,079,200	8,321,600	8,571,200	8,828,400	9,093,200
25 Equipment Replacement Fund	5,166,600	5,321,600	5,481,200	5,645,700	5,815,000	5,989,500
26						
27 Total Special Revenue & Other Funds	111,580,800	110,493,700	113,808,500	117,222,800	120,739,500	124,361,700
28						
29 Total Revenues, All Funds	615,100,300	655,503,800	699,158,600	746,222,600	796,981,600	851,747,100
30						
31 EXPENDITURES & OTHER USES						
32						
33 City Personnel	227,478,300	237,942,300	248,887,700	260,336,500	272,312,000	284,838,300
34 City Non-personnel, including Transit	142,491,100	149,978,600	157,953,900	166,459,100	175,540,700	185,250,300
35 Debt service	29,715,700	32,360,000	35,876,300	36,137,900	36,154,200	35,349,000
36 Cash capital	17,519,100	19,925,800	23,077,600	26,739,900	29,701,900	28,669,400
37 CIP Funding To Be Determined	0	0	0	0	0	0
38						
39 Schools Personnel	168,367,300	176,785,700	185,625,000	194,906,200	204,651,500	214,884,100
40 Schools Non-personnel	29,528,800	29,883,100	30,241,700	30,604,600	30,971,900	31,343,500
41						
42 Total Expenditures	615,100,300	646,875,500	681,662,200	715,184,200	749,332,200	780,334,600
43						
44 Excess/(Shortfall) of Revenues and Other	0	8,628,300	17,496,400	31,038,400	47,649,400	71,412,500
45 Sources over Expenditures and Other Uses						
46						
47						
48						
49 DEBT SERVICE INDICATORS						
50						
51 Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
52 Debt per capita as a % of per capita income	3.1%	3.3%	3.1%	2.9%	2.6%	2.3%
53 Debt Service as % of General Fund Estimated Expenditures	4.8%	5.0%	5.3%	5.1%	4.8%	4.5%
54 Unreserved Fund Balance as a % of General Fund Revenue	12.5%	Not projected	Not projected	Not projected	Not projected	Not projected

**Real Property Tax Revenues in Mid Range Scenario
(Assumes 6% Growth in Real Property Tax Revenue)**



Long Range Forecast Scenarios

